GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:164
ANSWERED ON:16.11.2007
INTEREST RATES ON SECOND HOME
Owaisi Shri Asaduddin

Will the Minister of FINANCE be pleased to state:

(a) whether the interest charged on loans granted by nationalized banks and other commercial banks for construction of second home is higher than the rate applicable for construction of the first home;

(b) if so, the details thereof and the rationale behind it; and

(c) the impact of higher interest rate on investment in housing?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) and (b): A few Public Sector Banks have reported that they are charging a higher rate of interest on home loans for the second house. It is reported T by these banks that the loan for the first dwelling unit is made available at lesser rate of interest which is not applicable to the second house as this is generally purchased for the purpose of letting out or for investment.

(c) : According to the latest information available from the Reserve Bank of India RBI), utstanding credit for housing recorded a positive growth of 17 per cent during 2006-07 (upto August 17, 2007) over 2005-06 (upto August 18, 2006).